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South Carolina
Division of General Services

PROCUREMENT AUDIT AND CERTIFICATION

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FRANCIS MARION COLLEGE
AGENCY

JULY 1, 1986 - DECEMBER 31, 1988
DATE

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600

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CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

May 16, 1989

Mr. Richard W. Kelly
Division Director
Division of General Services
1201 Main Street, Suite 400
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Francis Marion College audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the College a three (3) year certification as outlined in the audit report.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

Attachment

MATERIALS MANAGEMENT OFFICE

State Supply & Surplus Property Management
Surplus Property
Boston Avenue
W. Columbia, S.C. 29169
739-5490

Supply, Warehousing & IMS
1942 Laurel Street
Columbia, S.C. 29201
734-7919

Training & Research
300 Gervais Street
Annex 3
Columbia, S.C. 29201
737-2060

State Procurements &
Information Technology Management Office
1201 Main Street
Suite 600
Columbia, S.C. 29201
737-0600

Office of Audit & Certification
1201 Main Street
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Columbia, S.C. 29201
737-0600

Installment Purchase Program
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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

March 9, 1989

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of Francis Marion College for the period July 1, 1986 through December 31, 1988. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and College procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of Francis Marion College is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling

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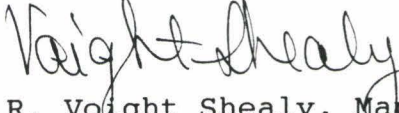
this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place Francis Marion College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.


R. Voight Shealy, Manager
Audit and Certification

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating procedures and policies and related manual of Francis Marion College for the period July 1, 1986 through December 31, 1988.

Our on-site review was conducted January 17 through January 31, 1989 and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. The audit was primarily instituted because the three year certification granted the College by the Budget and Control Board is to expire on October 21, 1989. Additionally, the College requested increased certification limits as follows:

Goods and Services	\$30,000
Information Technology	\$30,000
Construction	\$25,000

Since our previous audit in 1986, Francis Marion College has maintained what we consider to be a professional, efficient procurement system. We did note, however, the below listed items which should be addressed by management.

Purchase order 07934 for \$2,166.66 was issued for a 30 day extension of the College's standard life and casualty athletic insurance coverage. However, the extension was neither supported by an invitation for bids nor procurement determination.

Purchase order 04678 for \$8,300.00 for painting of designated areas in student apartments was increased by change order by \$5,305.00. The additional work added to the contract

was not covered in the original bid specifications. Competitive sealed bids should have been solicited for the additional work.

Purchase order 04932 for \$1,848.90 for repairs to the swimming pool doors at Smith College Center was competitively bid and awarded. However, this purchase order was increased by \$624.85 with the vendor to furnish and install glass in an additional sliding door which was broken. The additional work was not in the original bid. The College should have either solicited two telephone quotes for the additional work, or if appropriate, should have declared the additional work an emergency.


CERTIFICATION RECOMMENDATIONS

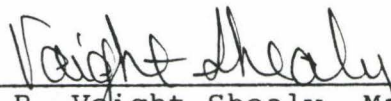
As enumerated in our transmittal letter corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place Francis Marion College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend Francis Marion College be recertified to make direct agency procurements up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
I. Goods and Services	\$30,000 *per purchase commitment
II. Information Technology in accordance with the approved Informa- tion Technology Plan	\$30,000 *per purchase commitment
III. Construction Services	\$25,000 *per purchase commitment

*This limit means the total potential commitment to the State whether single year or multi-term contracts are used.


James M. Stiles, PPB
Audit Supervisor


R. Voight Shealy, Manager
Audit and Certification



FRANCIS MARION COLLEGE

BOX F7500, FLORENCE, SOUTH CAROLINA 29501-0056 / (803) 661-1210

Office of the President

April 13, 1989

Mr. R. Voight Shealy, Manager
Audit and Certification
Division of General Services
Budget and Control Board
1201 Main Street, Suite 600
Columbia, SC 29201

RE: Draft Procurement
Audit Report
(July 1, 1986 - Dec. 31, 1988)

Dear Mr. Shealy:

I am in receipt of your letter of April 3, 1989, with the enclosed draft procurement audit report.

We have examined the report and would offer the following as a reply to Items I, II, and III:

I. P.O. -07934 - \$2,166.66

A purchase requisition was submitted to the Materials Management Office on 6/17/88 for bidding the College's athletic insurance coverage. The IFB was issued on 6/28/88 and bids opened on 7/19/88. Pearce and Pearce erroneously bid \$2,600 (instead of \$26,000) and later withdrew their bid. The only other bid was submitted by DuBose Insurance Agency at \$33,570. On 7/21/88, we requested that MMO rebid the contract because the figure offered by DuBose was excessive (a 46% increase over what we were paying) and it exceeded our budgeted figure for such coverage. Pearce & Pearce formally withdrew their bid on 8/5/88.

A new IFB was issued on 8/16/88 with an opening date of 9/6/88. Our existing coverage expired on 8/23/88. Upon checking with the MMO buyer to verify that our existing contract had been amended for an additional 30 days coverage, the Office of Business Affairs - Purchasing was advised to handle this issue because the existing contract did not address extensions. Therefore, we contracted Pearce & Pearce for a 30-day extension and issued a purchase order for same.

Should a similar situation arise in the future, we will officially declare the procurement an emergency in accordance with the established rules and regulations of the South Carolina Consolidated Procurement Code.

Mr. R. Voight Shealy
Page 2
April 13, 1989

Item 2, P.O. -04678 - \$8,300

Bids were solicited in June, 1987, for painting work to be accomplished in the student apartments during the summer. A purchase order was issued on 7/13/87 for the work.

As the contractor was finishing the work in August, additional apartments were identified that required painting due to the abuse received during summer occupancy by various camp (off-campus) groups. The painting contractor was still on site. Since he had already been established previously as the low bidder for this same type of work and since the work had to be completed quickly in order to accommodate students returning to school for the fall semester, a change order was issued.

This contractor also performed specific paint removal jobs from apartment carpet, fixtures, cabinets, etc. that had been previously painted by student workers. The painting contractor (who was on site) informed us that he could remove the paint and a change order was issued.

Future bid specifications will anticipate and address possible changes in this type of work so that additions and/or deletions to the contract will be competitively bid.

Item 3, P.O. -04932 \$1,848.90


During the course of the work to repair the glass swimming pool doors at the College Center, a plate of glass was broken, apparently by a student.

Because of the security aspect and the need for immediate repair, the glass contractor on site was asked to replace the broken glass. The work was accomplished quickly at a fair and reasonable price. It seemed to be in the best interest of the College to simply add the work to the existing contract for glass door repairs.

It was indeed our pleasure to have your audit team on campus several months ago. The two gentlemen who conducted the field audit were indeed professionals, and I feel certain we will continue to benefit from the review process.

I am pleased to note in the report that your office concurs and recommends certification limits in accordance with those requested by the College. I will ask Mrs. Cooper to contact you regarding a time for the official exit conference.

Sincerely yours,


Thomas C. Stanton
President

TCS/mm

Enclosure

cc: Mr. N. C. Frederick
Mrs. E. Cooper

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EXECUTIVE DIRECTOR

JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

May 17, 1989

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Jim:

We have reviewed the response to our audit report of Francis Marion College covering the period July 1, 1986 - December 31, 1988. Combined with observations made during our site visit, this review has satisfied the Office of Audit and Certification that the College has corrected the problem areas found and that internal controls over the procurement system are adequate.

We, therefore, recommend that the certification limits for Francis Marion College outlined in the audit report be granted for a period of three (3) years.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

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